UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Questar Pipeline Company Docket No. RP04-91-000

ORDER ACCEPTING TARIFF SHEETS SUBJECT TO CONDITIONS

(Issued December 31, 2003)

1. On November 28, 2003, Questar Pipeline Company (Questar) filed tariff sheets[1] to increase its Fuel Gas Reimbursement Percentage (FGRP) from 1.4 percent to 2.0 percent, including 1.8 percent for prospective recovery and 0.2 percent to amortize and collect from shippers a 1,454,685 Dth under-recovery. Questar requests an effective date of January 1, 2004, for the tariff sheets, and requests a waiver to implement a two-year amortization of Questar's 1,454,685 Dth under-recovery of fuel-use lost and unaccounted for gas (FLU) for the 12-month period ended September 30, 2003. As discussed below, the Commission finds that Questar has not fully supported its proposed change; however, the Commission will accept the tariff sheets to be effective January 1, 2004, and will require Questar to submit additional information as discussed in the body of this order within 30 days of the issuance of this order. Additionally, the order grants waiver of Section 12.15(a) of the General Terms and Conditions (GT&C) of Questar's tariff to permit a two-year amortization of FLU.

Description of the Filing

2. Section 12.14 of Questar's tariff provi ded that it will file a FGRP on December 1 of each year to be effective the following January 1. According to Questar, the proposed 2.0 percent FGRP includes 1.8 percent for prospective recovery, and 0.2 percent to amortize and collect from shippers a 1,454,685 Dth under-recovery that occurred over the 12-month period ended September 30, 2003.

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[1] Thirtieth Revised Sheet No. 5 to FERC Gas Tariff, First Revised Volume No. 1, and Thirty-Seventh Revised Sheet No. 8 to FERC Gas Tariff, Original Volume No. 3.

3. Questar requests waiver of its Tariff to permit a two-year amortization of FLU as opposed to the regular one-year amortization. Questar states that it is seeking this waiver to soften the rate impact of its under-recovery and to maintain rate stability.

4. Questar states that its processing facilities have operated at historically high levels in order to meet the hydrocarbon dew point tariff requirements of interconnecting pipelines on its northern system. Questar states that the shrinkage and processing plant operating fuel increased by 226,605 Dth or 25 percent for the 12 months ended September 30, 2003, over the same 12-month period in 200l-2002.

Notice, Intervention, and Protests

5. Public notice of the filing was issued on December 3, 2003, with interventions and protests due as provided in Section 154.210 of the Commission's regulations.[2] Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,[3] all timely filed motions to intervene and any motions to intervene out of time filed before the issuance date of this order are granted.

6. Protests were filed by The Indicated Shippers;[4] Dominion Exploration Production, Inc., Dominion Reserves Utah, Inc. and Conoco-Philips Company (collectively Dominion Entities); and Westport Oil and Gas Company, L. P. (Westport).

7. Dominion Entities protest the filing, stating that Questar's filing represents a dramatic increase in the lost and unaccounted for gas component of the FLU (L&U gas) compared to prior years (11/01, 11/02, and 11/03 filings) and that Questar has not provided adequate justification for the proposed increase. The Dominion Entities also object to the inclusion of fuel gas and shrinkage volumes associated with the Kastler Dewpoint Plant in Questar's calculation of the FGRP.

8. Dominion Entities request that the Commission suspend the proposed FGRP increase for the maximum statutory period and set the proposed increase for hearing. Dominion Entities request a hearing to determine whether certain audit recommendations,

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[2] 18 C.F.R. § 154.210 (2003).

[3] 18 C.F.R. § 385.214 (2003).

[4] The Indicated Shippers are: Anadarko Energy Services Company, Anadarko Petroleum Company, BP Energy Company, BP American Production Company, and ChevronTexaco Natural Gas, a division of Chevron U.S.A. Inc.

made by Arthur Andersen LLP with respect to a prior disputed fuel-adjustment filing that was settled, have been implemented.

9. The Indicated Shippers also state that the Commission should reject the proposed fuel charge because they believe Questar has failed to justify the charge. Alternatively, if the Commission accepts the fuel charge, they request a maximum suspension and a technical conference to investigate the charge.

10. Westport supports and adopts the protest filed by the Dominion Entities but takes no position with regard to the Kastler Dewpoint Plant issue.

Discussion

11. The Commission finds that while Questar has provided the basic calculations for determining the rate under its fuel tracking mechanism, Questar has not fully explained why the fuel reimbursement percentage has so dramatically increased.
Section 154.201(b) of the Commission's regulations requires a pipeline to provide documentation sufficiently detailed to support a proposed change.[5] Questar needs to explain how, during the last period, total lost-and unaccounted for volumes could increase by 83 percent (virtually doubling) while throughput has remained virtually the same. Questar must also respond to objections to the inclusion of fuel use and shrinkage volumes attributable to the Kastler Dewpoint Plant which is included in Questar's calculation of its FGRP. Rather than convene a technical conference at this juncture, the Commission will require Questar to provide this additional information in a supplemental filing as discussed below.

12. The Commission will accept the tariff sheets to be effective January 1, 2004, because Questar appears to have conformed to its authorized tariff mechanism. This acceptance is conditional, however, and is subject to Questar's filing detailed explanations with supporting workpapers addressing: (1) why the FGRP has increased from 1.4 percent to 2.0 percent; (2) why the lost and unaccounted for volumes increased by almost 83 percent while throughput has remained virtually the same; (3) why Questar's percentage of Total Fuel Used or Lost made up of L&U gas has climbed to 40.5 percent; and (4) why it is appropriate to include plant shrinkage when calculating the FGRP.

13. In addition, Questar is directed to provide detailed information pertaining to the steps that it has taken to ensure that the dramatic increase in L&U gas volumes is not due to a single event, as apparently occurred in the past, and whether L&U gas volumes may

[5] 18 C.F.R. § 154.201(b)(2003).

be reduced through a single charge or correction as Arthur Anderson believed occurred in June 2000. Questar must also submit a copy of the Arthur Anderson report so that the Commission can determine whether the auditor's recommendations have been implemented.

14. The Commission will grant Questar waiver of Section 12.15(a) of the GT&C of its tariff to permit a two-year amortization as opposed to the one-year amortization.

<u>The Commission orders:</u>

(A) The tariff sheets listed in footnote number one of this order are accepted for filing effective January 1, 2004, subject to Questar filing additional support for its fuel increase as discussed in the body of the order.

(B) Within 30 days of the date of issuance of this filing, Questar must make a supplemental filing providing additional information to support its proposal, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.